

**ST. TAMMANY PARISH  
FIRE PROTECTION DISTRICT NO. 2  
Madisonville, Louisiana**

Annual Financial Statements

December 31, 2011

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## Independent Auditor's Report

To the Board of Commissioners  
St. Tammany Parish Fire Protection District No. 2  
Madisonville, Louisiana

We have audited the accompanying financial statements of the governmental activities and each major fund, which collectively comprise the basic financial statements of St. Tammany Parish Fire Protection District No. 2 (the District), a component unit of the St. Tammany Parish Government, as of December 31, 2011, and for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, beginning on page 4, and the budgetary comparison information on page 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The accompanying information listed as other supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the District. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in cursive script, reading "LaPorte".

A Professional Accounting Corporation

May 14, 2012

**REQUIRED SUPPLEMENTAL INFORMATION (PART I)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

## ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2

### Management's Discussion and Analysis For the Year Ended December 31, 2011

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As management of St. Tammany Parish Fire Protection District No. 2 (the District), we offer this discussion and analysis of the District's financial activities for the year ended December 31, 2011.

As with other sections of this financial report, the information contained with this Management's Discussion and Analysis (MD&A) should be considered only a part of the greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and the other Required Supplemental Information that is provided in addition to this MD&A.

#### Financial Highlights

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 7 and 8) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements begin on page 9. These statements tell how these services were financed in the short-term as well as what remains for future spending. The District is a component unit of the St. Tammany Parish Council. Its operations are conducted through a general fund.

A summary of the basic government-wide financial statements is as follows:

#### Summary of Statements of Net Assets

	2011	2010
<b>Assets</b>		
Current Assets	\$ 4,684,848	\$ 4,972,561
Other Assets	54,872	61,731
Capital Assets, Net of Accumulated Depreciation	2,417,654	2,277,691
<b>Total Assets</b>	<b>7,157,374</b>	<b>7,311,983</b>
<b>Liabilities</b>		
Current Liabilities	541,190	522,971
Non-Current Liabilities	2,339,812	2,748,795
<b>Total Liabilities</b>	<b>2,881,002</b>	<b>3,271,766</b>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	1,603,564	1,064,209
Unrestricted	2,672,808	2,976,008
<b>Net Assets</b>	<b>\$ 4,276,372</b>	<b>\$ 4,040,217</b>

## ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2

### Management's Discussion and Analysis For the Year Ended December 31, 2011

#### Summary of Statement of Activities

	2011	2010	Change
<b>Revenues</b>			
General Revenues			
Ad Valorem Taxes	\$ 2,517,933	\$ 2,516,253	\$ 1,680
State Revenue Sharing	48,729	48,899	(170)
Fire Insurance Tax	40,950	31,561	9,389
Rentals	51,911	37,570	14,341
Interest Income	2,225	6,679	(4,454)
Miscellaneous Income	-	1,030	(1,030)
<b>Total Revenues</b>	<b>2,661,748</b>	<b>2,641,992</b>	<b>19,756</b>
<b>Expenses</b>			
Fire Protection	2,309,087	2,122,199	186,888
Interest on Long-Term Debt	116,506	121,108	(4,602)
<b>Total Expenses</b>	<b>2,425,593</b>	<b>2,243,307</b>	<b>182,286</b>
<b>Change in Net Assets</b>	<b>\$ 236,155</b>	<b>\$ 398,685</b>	<b>\$ (162,530)</b>

#### Capital Assets and Debt

In 2011, Capital assets increased by \$139,963, which is primarily the result of improvements to the Oak Park building and the purchase of land on Highway 22 for future construction, net of depreciation expense for the current period. Total debt decreased by \$375,566, which was the result of scheduled principal payments during the year.

#### General Fund Budgetary Highlights

In 2011, actual revenues exceeded budget by \$11,299 and expenditures were under budget by \$5,198.

#### Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Chief Mike Stein, P.O. Box 795, Madisonville, Louisiana 70447.

## **BASIC FINANCIAL STATEMENTS**



**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2**  
**MADISONVILLE, LOUISIANA**  
**Statement of Net Assets**  
**December 31, 2011**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 213,145
Investments	1,950,570
Receivables - Ad Valorem Taxes, Net	2,478,063
Receivables - State Revenue Sharing	32,486
Deposits	2,515
Other Assets	8,069
Bond Issuance Costs, Net	54,872
Capital Assets, Net of Accumulated Depreciation	<u>2,417,654</u>
<b>Total Assets</b>	<u><u>7,157,374</u></u>
<b>Liabilities</b>	
Accounts Payable	9,567
Accrued Expenses	107,411
Accrued Interest	32,109
Compensated Absences	117,812
Capital Lease	
Due Within One Year	122,103
Certificate of Indebtedness	
Due Within One Year	270,000
Due in More than One Year	<u>2,222,000</u>
<b>Total Liabilities</b>	<u><u>2,881,002</u></u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	1,603,564
Unrestricted	<u>2,672,808</u>
<b>Total Net Assets</b>	<u><u>\$ 4,276,372</u></u>

The accompanying notes are an integral part of these financial statements.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2**  
**MADISONVILLE, LOUISIANA**  
**Statement of Activities**  
**For the Year Ended December 31, 2011**

<b>Activities</b>	<b>Expenses</b>	<b>Program Revenue Operating Grants and Contributions</b>	<b>Net (Expense) Revenue and Changes in Net Assets</b>
<b>Governmental Activities</b>			
Public Safety - Fire Protection	\$ 2,309,087	\$ -	\$ (2,309,087)
Interest on Long-Term Debt	116,506	-	(116,506)
<b>Total Governmental Activities</b>	<b>\$ 2,425,593</b>	<b>\$ -</b>	<b>(2,425,593)</b>
<b>General Revenues</b>			
Ad Valorem Taxes			2,517,933
State Revenue Sharing			48,729
Fire Insurance Tax			40,950
Rentals			51,911
Interest Income			2,225
<b>Total General Revenues</b>			<b>2,661,748</b>
<b>Change in Net Assets</b>			<b>236,155</b>
<b>Net Assets, Beginning of Year</b>			<b>4,040,217</b>
<b>Net Assets, End of Year</b>			<b>\$ 4,276,372</b>

The accompanying notes are an integral part of these financial statements.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2**  
**MADISONVILLE, LOUISIANA**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2011**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 144,428	\$ 68,717	\$ 213,145
Investments	573,727	1,376,843	1,950,570
Receivables - Ad Valorem Taxes, Net	2,478,063	-	2,478,063
Receivables - State Revenue Sharing	32,486	-	32,486
Due from Other Funds	-	353,567	353,567
Deposits	1,629	886	2,515
Other Assets	8,069	-	8,069
<b>Total Assets</b>	<b>\$ 3,238,402</b>	<b>\$ 1,800,013</b>	<b>\$ 5,038,415</b>
<b>Liabilities</b>			
Accounts Payable	\$ 9,567	-	\$ 9,567
Accrued Expenses	107,411	-	107,411
Due to Other Funds	353,567	-	353,567
<b>Total Liabilities</b>	<b>470,545</b>	<b>-</b>	<b>470,545</b>
<b>Fund Equity</b>			
Fund Balance			
Unassigned	2,767,857	-	2,767,857
Restricted	-	1,800,013	1,800,013
<b>Total Fund Equity</b>	<b>2,767,857</b>	<b>1,800,013</b>	<b>4,567,870</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 3,238,402</b>	<b>\$ 1,800,013</b>	<b>\$ 5,038,415</b>

**Reconciliation of the Governmental Fund Balance Sheet to the**

**Statement of Net Assets**

Total Fund Equity	\$ 4,567,870
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,417,654
Bond issuance costs are not available to pay for current period expenses and, therefore, are not reported in the funds.	54,872
Accrued interest on long-term liabilities is not reported in the governmental funds.	(32,109)
Long-term liabilities, including capital leases and certificates of indebtedness, are not due and payable in the current period and, therefore, are not reported in the funds.	(2,731,915)
<b>Net Assets of Governmental Activities</b>	<b>\$ 4,276,372</b>

The accompanying notes are an integral part of these financial statements.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2**  
**MADISONVILLE, LOUISIANA**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended December 31, 2011**

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues</b>			
Ad Valorem Taxes	\$ 2,517,933	\$ -	\$ 2,517,933
Rentals	51,911	-	51,911
State Revenue Sharing	48,729	-	48,729
Fire Insurance Tax	40,950	-	40,950
Interest Income	1,519	706	2,225
Miscellaneous Income	1,925	-	1,925
<b>Total Revenues</b>	<b>2,662,967</b>	<b>706</b>	<b>2,663,673</b>
<b>Expenditures</b>			
Public Safety - Fire Protection			
Salaries and Benefits	1,499,723	-	1,499,723
Insurance	311,515	-	311,515
Communications	76,163	-	76,163
Repairs and Maintenance	54,110	792	54,902
Fuel	32,975	-	32,975
Uniforms	31,281	-	31,281
Utilities	24,031	-	24,031
Professional Services	22,042	-	22,042
Rent	19,934	-	19,934
Operating Supplies	19,152	-	19,152
Education and Training	19,065	-	19,065
Miscellaneous	12,513	159	12,672
Travel/Allowance	12,073	-	12,073
Office Supplies	5,320	-	5,320
Emergency Equipment Fund	3,167	-	3,167
Fire Prevention Expenses	2,761	-	2,761
Postage	618	-	618
Drug Testing	516	-	516
Advertising	253	-	253
Capital Outlay	193,007	126,685	319,692
Debt Service			
Principal	375,566	-	375,566
Interest	100,685	-	100,685
<b>Total Expenditures</b>	<b>2,816,470</b>	<b>127,636</b>	<b>2,944,106</b>
<b>Deficiency of Revenues over Expenditures</b>	<b>(153,503)</b>	<b>(126,930)</b>	<b>(280,433)</b>
<b>Other Financing Sources (Uses)</b>			
Operating Transfers	185,000	(185,000)	-
<b>Net Change in Fund Balance</b>	<b>31,497</b>	<b>(311,930)</b>	<b>(280,433)</b>
<b>Fund Balance, Beginning of Year</b>	<b>2,736,360</b>	<b>2,111,943</b>	<b>4,848,303</b>
<b>Fund Balance, End of Year</b>	<b>\$ 2,767,857</b>	<b>\$ 1,800,013</b>	<b>\$ 4,567,870</b>

The accompanying notes are an integral part of these financial statements.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2**  
**MADISONVILLE, LOUISIANA**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures and Changes in Fund Balance of the**  
**Governmental Funds to the Statement of Activities**  
**For the Year Ended December 31, 2011**

<b>Net Changes in Fund Balance - Total Governmental Funds</b>	<b>\$ (280,433)</b>
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Amounts reported for governmental activities in the Statement of Activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	141,662
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount of repayments during the current period.	375,566
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Change in Compensated Absences Payable	16,880
Change in Accrued Interest Payable	(8,962)

Loss on Disposition of Capital Assets	(1,699)
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Governmental funds do not include amortization expense for bonds.	<u>(6,859)</u>
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<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 236,155</u></b>
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The accompanying notes are an integral part of these financial statements.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2  
MADISONVILLE, LOUISIANA**

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies**

The accounting and reporting policies of St. Tammany Parish Fire Protection District No. 2 (the District) conform to accounting principles generally accepted in the United States of America applicable to government entities. The following is a summary of significant accounting policies:

**Reporting Entity**

The District was created by the St. Tammany Parish Council (the Council) on January 15, 1953. The District serves the area of Ward 1 of St. Tammany Parish (the Parish). The District is governed by a Board of Commissioners. Two Commissioners are appointed by the Council and two are appointed by the Town of Madisonville. The fifth member is selected by the other appointed members and serves as board chairman. . As the governing authority of the Parish, for financial reporting purposes, the St. Tammany Parish Council is the financial reporting entity for St. Tammany Parish. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Section 2100 of the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards* established criteria for determining which component units should be considered part of the St. Tammany Parish Government for financial reporting purposes. The basic criterion for including a potential component unit with the reporting entity is financial accountability.

The District is a component unit of the Parish because the Council appoints members of the District and because the Council has determined that it would be misleading to not include the District in the Council's Comprehensive Annual Financial Report (CAFR). The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Council, the general government services provided by that governmental unit, or the governmental units that comprise the financial reporting entity.

**Basis of Presentation**

The accompanying basic financial statements of the District have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999.

**Government-Wide Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and Statement of Activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2  
MADISONVILLE, LOUISIANA**

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**Basis of Presentation (Continued)**

***Government-Wide Financial Statements (Continued)***

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental funds.

***Fund Financial Statements***

The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The General Fund of the District is classified as governmental. The emphasis of fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the District or the total assets, liabilities, revenues, or expenditures of the individual governmental fund is at least 10 percent of the corresponding total for all governmental funds.

The District reports the following major governmental funds:

**General Fund**

The General Fund is the primary operating fund of the District. It accounts for all the financial resources except those that are required to be accounted for in other funds.

**Capital Projects Fund**

The Capital Projects Fund accounts for the proceeds of Series 2009 Certificates of Indebtedness which will be used to renovate the Oak Park and Weldon Poole Memorial Fire Stations and purchase a ladder truck.

**Measurement Focus / Basis of Accounting**

The amounts reflected in the governmental fund financial statements are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to the government-wide financial statements.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2  
MADISONVILLE, LOUISIANA**

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**Measurement Focus / Basis of Accounting (Continued)**

The amounts reflected in the governmental fund financial statements use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after the fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt, which are recognized when payment is due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The government-wide financial statements are accounted for using an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets and financial position.

The government-wide financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of the timing of related cash flows.

Ad valorem taxes and state revenue sharing associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

**Budget and Budgetary Accounting**

The Board of Commissioners adopted a budget for the General Fund. The budgetary practices include public notice of the proposed budget, public inspection of the proposed budget and public hearings on the budget prior to adoption. Any amendment involving increases in expenditures must be approved by the Board. Budgeted amounts included in the accompanying financial statements include all amendments. All budgeted amounts which are not expended or obligated through contracts lapse at year-end. The General Fund budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

**Compensated Absences**

The District's policy is to allow employees vacation pay based on length of service. Sick leave is provided for by the District but is noncumulative and the employee's right to unused sick leave does not vest. Vacation pay is cumulative with any unpaid amounts paid to employees upon separation from the District's service. At December 31, 2011, the District had compensated absences of \$117,812, which is reported as a liability on the Statement of Net Assets.



**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2  
MADISONVILLE, LOUISIANA**

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**Cash, Cash Equivalents and Investments**

Cash includes amounts in interest-bearing demand deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the District may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at market value.

**Receivables**

Ad valorem tax receivable is reported net of estimated uncollectible amounts. The allowance for uncollectible amounts is \$106,348, which represents 4% of the total ad valorem tax receivable at December 31, 2011. This estimate is based on the District's history of collections within this revenue stream.

**Capital Assets**

All capital assets are recorded at historical cost in the government-wide financial statements. Depreciation of all exhaustible capital assets is charged as an expense against their operations.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. The District capitalizes equipment in excess of \$2,500. In the fund financial statements, capital assets are accounted for as capital outlay expenditures upon acquisition.

The following estimated useful lives and methods are used to compute depreciation:

Buildings and Improvements	15 - 40 Years	Straight-Line
Vehicles	5 - 15 Years	Straight-Line
Machinery and Equipment	5 - 10 Years	Straight-Line
Office Equipment	5 - 10 Years	Straight-Line

Depreciation expense amounted to \$175,618, for the year ended December 31, 2011.

**Long-Term Debt**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2  
MADISONVILLE, LOUISIANA**

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**Long-Term Debt (Continued)**

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Equity Classifications**

In the government-wide financial statements, equity is classified as net assets and displayed in three components:

- a. *Invested in capital assets, net of related debt* - consist of capital assets including restricted assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets.
- b. *Restricted net assets* - consist of net assets with constraints placed on their use either by external groups or law.
- c. *Unrestricted net assets* - consist of all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

During the year ended December 31, 2011, the District adopted GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which significantly changed the reporting of fund balance in the balance sheets of governmental funds. In the governmental fund financial statements, fund balances are classified as follows:

1. *Restricted Fund Balance* - Amounts that can be spent only for specific purposes because of the District's bond resolution, state or federal laws, or externally imposed conditions by grantors, creditors or citizens.
2. *Unassigned Fund Balance* - All amounts not included in other spendable classifications.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy is to apply restricted net assets first.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2  
MADISONVILLE, LOUISIANA**

**Notes to Financial Statements**

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**Note 2. Cash and Cash Equivalents**

The following is a summary of cash and cash equivalents (book balances) at December 31, 2011:

Demand Deposits	<u>\$ 213,145</u>
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These deposits are stated at cost, which approximates market.

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial risk. As of December 31, 2011, the District had \$256,785 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 in federal deposit insurance and \$6,785 in securities pledged by the local bank.

Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

**Note 3. Investments**

Investments of \$1,950,570, which are stated at market using published quotes as of December 31, 2011, are in the Louisiana Asset Management Pool, Inc. (LAMP), a local government investment pool.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LRS 33:2955.

GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, requires disclosure of credit risk, custodial credit risk, concentration of credit risk, interest rate risk and foreign currency risk for all public entity investments.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2  
MADISONVILLE, LOUISIANA**

**Notes to Financial Statements**

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**Note 3. Investments (Continued)**

LAMP is a money market-like investment pool. The following facts are relevant for money market-like investment pools:

- *Credit risk:* LAMP is rated AAAm by Standard & Poor's.
- *Custodial credit risk:* LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized, because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
- *Concentration of credit risk:* Pooled investments are excluded from the 5 percent disclosure requirement.
- *Interest rate risk:* LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP total investments is 45 days (from LAMP's monthly statement of net assets) as of December 31, 2011.
- *Foreign currency risk:* Not applicable to money market-like pools.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

If you have any questions, please feel free to contact the LAMP administrative office at 800-249-5267.

**Note 4. Ad Valorem Taxes**

Ad valorem taxes for the operations of the District are levied each November 1<sup>st</sup> on the assessed value listed as of the prior January 1<sup>st</sup> for all real property, merchandise and movable property located in the Parish. Assessed values are established by the St. Tammany Parish Assessor's Office and the State Tax Commission at percentages of actual value as specified by Louisiana law. A reevaluation of all property is required to be completed no less than every four years. The last reevaluation was completed as of November 18, 2008.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2  
MADISONVILLE, LOUISIANA**

**Notes to Financial Statements**

**Note 5. 2% Fire Insurance Tax**

The District is eligible and receives a pro-rata share of the fire insurance tax collected by the State of Louisiana. The amounts received by the District are based on the population of the areas that they serve. In accordance with Louisiana Revised Statutes, such money shall be used only for the purpose of "rendering more efficient and efficacious" fire protection, as the District shall direct.

**Note 6. Capital Assets**

Capital assets activity for the year ended December 31, 2011, was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 566,400	\$ 191,850	\$ -	\$ 758,250
Construction in Progress	-	80,578	-	80,578
<b>Total Capital Assets Not Being Depreciated</b>	<b>566,400</b>	<b>272,428</b>	<b>-</b>	<b>838,828</b>
<b>Capital Assets Being Depreciated</b>				
Buildings and Improvements	1,239,939	12,789	-	1,252,728
Vehicles	1,180,642	24,793	-	1,205,435
Machinery and Equipment	278,173	7,270	(7,495)	277,948
Office Equipment	80,501	-	-	80,501
<b>Total Capital Assets Being Depreciated</b>	<b>2,779,255</b>	<b>44,852</b>	<b>(7,495)</b>	<b>2,816,612</b>
<b>Less Accumulated Depreciation for:</b>				
Buildings and Improvements	(184,189)	(32,845)	-	(217,034)
Vehicles	(663,912)	(107,668)	-	(771,580)
Machinery and Equipment	(186,306)	(24,556)	5,796	(205,066)
Office Equipment	(33,557)	(10,549)	-	(44,106)
<b>Total Accumulated Depreciation</b>	<b>(1,067,964)</b>	<b>(175,618)</b>	<b>5,796</b>	<b>(1,237,786)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>1,711,291</b>	<b>(130,766)</b>	<b>(1,699)</b>	<b>1,578,826</b>
<b>Capital Assets, Net</b>	<b>\$ 2,277,691</b>	<b>\$ 141,662</b>	<b>\$ (1,699)</b>	<b>\$ 2,417,654</b>

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2  
MADISONVILLE, LOUISIANA**

**Notes to Financial Statements**

**Note 7. Long-Term Debt**

The following is a summary of debt transactions of the District for the year ended December 31, 2011:

	<b>Capital Lease</b>	<b>Certificates of Indebtedness</b>	<b>Total</b>
January 1, 2011	\$ 238,669	\$ 2,751,000	\$ 2,989,669
Issued	-	-	-
Retired	(116,566)	(259,000)	(375,566)
December 31, 2011	<u>\$ 122,103</u>	<u>\$ 2,492,000</u>	<u>\$ 2,614,103</u>

Long-term debt consisted of the following at December 31, 2011:

\$557,600 Capital Lease dated April 2, 2007, payable in annual installments of \$127,903, including interest at 4.75%, through April 2, 2012, secured by ad valorem tax revenues.	\$ 122,103
\$3,000,000 Certificate of Indebtedness dated August 7, 2009, payable in annual principal installments of \$249,000 - \$357,000, plus semi-annual interest at 3.40%, through March 1, 2019, secured by ad valorem tax revenues.	2,492,000
<b>Total</b>	<u><u>\$ 2,614,103</u></u>

The following is a schedule of future principal debt service requirements:

<b>Year Ending December 31,</b>	<b>Capital Lease</b>		<b>Certificate of Indebtedness</b>		<b>Total</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2012	\$ 122,103	\$ 5,800	\$ 270,000	\$ 80,138	\$ 392,103	\$ 85,938
2013	-	-	281,000	70,771	281,000	70,771
2014	-	-	292,000	61,030	292,000	61,030
2015	-	-	304,000	50,898	304,000	50,898
2016	-	-	316,000	40,356	316,000	40,356
2017-2019	-	-	1,029,000	53,431	1,029,000	53,431
<b>Total</b>	<u>\$ 122,103</u>	<u>\$ 5,800</u>	<u>\$ 2,492,000</u>	<u>\$ 356,624</u>	<u>\$ 2,614,103</u>	<u>\$ 362,424</u>



**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2  
MADISONVILLE, LOUISIANA**

**Notes to Financial Statements**

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**Note 8. Louisiana Firefighters' Retirement System Pension**

Substantially all employees of the District are members of the Louisiana Firefighters' Retirement System (the System), a cost-sharing, multiple-employer, defined benefit pension plan administered by a separate board of trustees.

Membership in the Louisiana Firefighters' Retirement System is mandatory for all full-time firefighters employed by a municipality, parish, or fire protection district that did not enact an ordinance prior to January 1, 1980, exempting it from participation in the System. Employees are eligible to retire at or after age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to three and one-third percent of their final-average salary for each year of creditable service, not to exceed 100 percent of their final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least 12 years of service and do not withdraw their employee contributions may retire at or after age 55 (or at or after age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

Members of the System are required by state statute to contribute 8% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 23.25% of annual covered payroll. The contribution requirements of System members and the District are established, and may be amended, by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The District contributions to the System for the years ended December 31, 2011, 2010, and 2009, were \$272,326, \$203,367, and \$117,816, respectively, equal to the required contribution for each year.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Firefighters' Retirement System, Post Office Box 94095, Baton Rouge, Louisiana 70804, or by calling (225) 925-4060.

**Note 9. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2011, the District carried insurance through various commercial carriers to cover all risks of loss. The District has no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

**REQUIRED SUPPLEMENTAL INFORMATION (PART II)**



**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2**  
**MADISONVILLE, LOUISIANA**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**For the Year Ended December 31, 2011**

	<b>Budget</b>		<b>Actual</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Ad Valorem Taxes	\$ 2,344,662	\$ 2,540,000	\$ 2,517,933	\$ (22,067)
Rentals	39,168	39,168	51,911	12,743
State Revenue Sharing	42,000	42,000	48,729	6,729
Fire Insurance Tax	28,000	28,000	40,950	12,950
Interest Income	2,500	2,500	1,519	(981)
Miscellaneous Income	-	-	1,925	1,925
<b>Total Revenues</b>	<b>2,456,330</b>	<b>2,651,668</b>	<b>2,662,967</b>	<b>11,299</b>
<b>Expenditures</b>				
Public Safety - Fire Protection				
Salaries and Benefits	1,317,097	1,494,870	1,499,723	(4,853)
Insurance	369,500	369,500	311,515	57,985
Communications	70,000	70,000	76,163	(6,163)
Repairs and Maintenance	31,500	49,065	54,110	(5,045)
Fuel	28,000	28,000	32,975	(4,975)
Uniforms	13,000	13,000	31,281	(18,281)
Utilities	18,500	18,500	24,031	(5,531)
Professional Services	7,000	7,000	22,042	(15,042)
Rent	17,500	17,500	19,934	(2,434)
Operating Supplies	31,000	31,000	19,152	11,848
Education and Training	15,000	15,000	19,065	(4,065)
Miscellaneous	2,900	2,900	12,513	(9,613)
Travel/Allowance	15,000	15,000	12,073	2,927
Office Supplies	10,900	10,900	5,320	5,580
Emergency Equipment Fund	-	-	3,167	(3,167)
Fire Prevention Expense	14,000	14,000	2,761	11,239
Postage	500	500	618	(118)
Drug Testing	1,500	1,500	516	984
Advertising	1,000	1,000	253	747
Capital Outlay	10,000	180,000	193,007	(13,007)
Debt Service				
Principal	470,133	470,133	375,566	94,567
Interest	12,300	12,300	100,685	(88,385)
<b>Total Expenditures</b>	<b>2,456,330</b>	<b>2,821,668</b>	<b>2,816,470</b>	<b>5,198</b>
<b>(Deficiency) Excess of Revenues over Expenditures</b>	<b>-</b>	<b>(170,000)</b>	<b>(153,503)</b>	<b>16,497</b>
<b>Other Financing Sources</b>				
Operating Transfer In	-	-	185,000	185,000
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ (170,000)</b>	<b>31,497</b>	<b>\$ 201,497</b>
<b>Fund Balance, Beginning of Year</b>			<b>2,736,360</b>	
<b>Fund Balance, End of Year</b>			<b>\$ 2,767,857</b>	

## **OTHER SUPPLEMENTAL INFORMATION**

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2  
MADISONVILLE, LOUISIANA**

**Schedule of Governing Board  
December 31, 2011**

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<b><u>Governing Board</u></b>	<b><u>Compensation</u></b>
Rosalie Boudreaux 201 Hawthorne Hollow Drive Madisonville, LA 70447	\$-0-
Myron Bourg P. O. Box 607 Madisonville, LA 70447	\$-0-
Dale Shows 609 Pine Street Madisonville, LA 70447	\$-0-
George "Skip" Rinaldi 217 Empress Court Madisonville, LA 70447	\$-0-

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners  
St. Tammany Parish Fire Protection District No. 2  
Madisonville, Louisiana

We have audited the accompanying financial statements of the governmental activities and each major fund, which collectively comprise the basic financial statements of St. Tammany Parish Fire Protection District No. 2 (the District), as of and for the year ended December 31, 2011, and have issued our report thereon dated May 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness, identified as item 2011 - 1.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

St. Tammany Parish Fire Protection District No. 2's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management of St. Tammany Parish Fire Protection District No. 2, the Board of Commissioners, and the Legislative Auditor of the State of Louisiana, and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

A handwritten signature in cursive script, appearing to read "LaForte".

A Professional Accounting Corporation

May 14, 2012

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2  
MADISONVILLE, LOUISIANA**

**Schedule of Findings and Responses  
For the Year Ended December 31, 2011**

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**2011 - 1 Financial Statement Preparation**

*Criteria:* Management's preparation of the annual financial statements.

*Condition:* As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare the District's annual financial statements. This condition is intentional by management based upon the District's lack of financial complexity, along with the cost prohibitive nature of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting journal entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been fully implemented. Recently issued U.S. Generally Accepted Auditing Standards require that we report the above condition as a material weakness.

*Cause:* The District's lack of financial complexity.

*Effect:* Numerous year-end adjusting journal entries.

*Recommendation:* The District has determined that the most cost effective and prudent use of the District's funds is to engage the auditor to prepare the District's annual financial report. As such, we feel no action by the District is necessary at this time.

*Management's Response:* No action will be taken by management at this time.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2  
MADISONVILLE, LOUISIANA**

**Summary Schedule of Prior Year Findings  
For the Year Ended December 31, 2011**

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**2010 - 1   Financial Statement Preparation**

*Status:*                      This condition has not been resolved. See finding 2011 - 1.